

FY 2005-06 BUDGET

BUDGET SECTION SUMMARY

Section Title:

OCCIDENTAL COUNTY SANITATION DISTRICT

A. Program Description

This budget finances operation, maintenance, and administration of a collection system, a treatment plant, and disposal facilities which serve the Occidental area.

B. Financial Summary

Section	GROSS EXPENDITURES			NET COST/USE OF FUND BALANCE		
	FY 04-05 Adopted	FY 05-06 Requested	Percent Change	FY 04-05 Adopted	FY 05-06 Requested	Percent Change
Operations	\$290,924	\$301,855	3.76%	\$31,827	\$33,023	3.76%
Bonds #2	510	242	(52.55%)	(875)	(1,068)	22.06%
Construction	6,951,000	4,000,000	(42.45%)	1,737,000	3,999,000	130.22%
TOTAL:	\$7,242,434	\$4,302,097	(40.60%)	\$1,767,952	\$4,030,955	128.00%

C. Staffing Summary

No staffing is allocated to this index.

D. Workload Summary

Workload Indicator	FY 03-04 Actual	FY 04-05 Budget Estimate	FY 04-05 Revised Estimate	FY 05-06 Projected	Change from FY 04-05 Budget Estimate
Total ESDs	271	271	260	263	(2.95%)
Total APNs	99	99	98	100	1.01%

E. Summary of Issues and Significant Changes

The requested rate per ESD for FY 05-06 annual service charges is \$1043, representing a 6.9% increase from FY 04-05. Annual sewer service charge revenue, adjusted for the anticipated number of ESDs and an estimated delinquency factor, is projected to increase from the FY 04-05 budget. This revenue change is due to the rate increase.

The Occidental County Sanitation District (Occidental CSD) treatment plant first became operational in 1950 and was upgraded in 1970 and 1975. The plant is designed to treat an average daily dry weather flow of up to 50,000 gallons per day to secondary treatment standards. Each year, between October 1 and May 14, treated wastewater from the Occidental CSD is discharged into Dutch Bill Creek. During the balance of the year, treated wastewater is used for irrigation.

The Occidental County Sanitation District is facing very serious financial and operational difficulties.

The treatment plant is in a critical state of disrepair; however, operating revenues and the District's fund balance is inadequate to support required maintenance, repair, or facility improvements. Without near term improvement of the facilities and treatment processes, the Occidental CSD's ability to comply with the conditions of its operating permit remains in doubt.

During FY 97-98, the Occidental CSD was faced with a Civil Lawsuit under the Clean Water Act and Administrative Civil Liability (Order No. 97-75) was officially adopted by the NCRWQCB in August of 1997 as a result of violations. Increased requirements for sampling and chemical usage, as well as substantial legal fees for multiple lawsuits, have impacted the Occidental CSD's operational expenses.

In accordance with Order No. 97-75, an environmental analysis was completed and the Occidental County Sanitation District Wastewater Treatment and Disposal Upgrade Project Final Environmental Impact Report (Occidental CSD EIR) was certified in February of 2000. This work was financed by an interest free loan for \$100,000 from the County of Sonoma's General Fund in FY 98-99. The preferred alternative identified in the Occidental CSD EIR was secondary pretreatment and subsurface disposal through a conventional leach field. The preferred alternative appeared to be technically infeasible by the NCRWQCB and therefore did not represent a viable long-term solution.

Cease and Desist Order No. 97-74, Time Schedule Order No. 97-75 and Administrative Liability Complaint Order No. 97-126 established deadlines for certain tasks associated with a long-term solution. These deadlines included a requirement for completion of the long-term solution by September 1, 2001. At the March 22, 2001 meeting of the NCRWQCB, the Agency, on behalf of the Occidental CSD, requested an extension on remaining deadlines in order to allow the Occidental CSD to participate with the community of Camp Meeker on prospective projects that could address wastewater treatment and disposal problems in both Occidental and Camp Meeker.

During the March 22, 2001 meeting, elected officials from the Camp Meeker Recreation and Park District (Camp Meeker RPD) and the Occidental Community Services District both spoke of their respective communities' commitment to work together towards construction and operation of a locally-controlled wastewater treatment and disposal system. Requests were also made by the Agency and locally-elected officials from these communities for NCRWQCB's support in moving such a project forward.

Subsequent to this meeting, the NCRWQCB issued Order R1-2001-0047 and R1-2001-0048. These orders extended the remaining deadlines in Order 97-74 and 97-75. The Camp Meeker RPD issued a Draft Environmental Impact Report (EIR) for the wastewater project in October 2001. The preferred project consists of a collection system for Camp Meeker, rebuilding the collection system in the Occidental CSD, upgrading the Occidental CSD treatment plant, and constructing a new effluent storage reservoir. This project is estimated to cost on the order of \$20,000,000. In March 2003, the NCRWQCB issued Orders Nos. R1-2003-0020 and R1-2003-0021, requiring the completion of the proposed project in four phases, and specifying fines should interim or final deadlines be missed. The last interim compliance date, the deadline to award the bid for the construction of the wastewater treatment plant upgrades, was postponed from December 31, 2004 until October 1, 2005, by orders R1-2004-0102 and R1-2004-0103. The entire project must be constructed by June 30, 2008, in compliance with the compliance orders issued in 2003.

The Camp Meeker RPD issued a Draft Environmental Impact Report (EIR) for their wastewater project in October 2001. The preferred project consists of constructing a collection system in Camp Meeker, rebuilding the collection system in the Occidental CSD, upgrading the Occidental CSD treatment plant, and constructing a new effluent storage reservoir. This project is estimated to cost on the order of \$20,000,000.

Significant amounts of state and federal funding will be required for this project to be constructed, in addition to increased rates. Without such funding, rates would be necessary to build and operate this system. The increased rates would likely be the highest in the state and could exceed the financial resources of this low income community. The district continues to work with community leaders to receive the funding necessary to make the proposed upgrade project affordable to the rate payers.

Estimated FY 05-06 revenues do not adequately provide the funding necessary for adequate operation and maintenance at this district because of the small rate base. In the current year, and in recently completed years, the Occidental CSD has had insufficient funds to cover on-going operational expenses. Charges have been transferred to the Agency's General Fund and have not been recovered from the Occidental CSD. Construction of the projects described in the Camp Meeker EIR, which could more than double the rate base, and transfer of the systems to a locally controlled operator could make this system feasible to operate.

F. Summary of Reduction Options

No reduction options are proposed.

G. Attachments

- Summary of Revenues and Expenditures
- Character Justification
- Statement of Special Fund Activity

FY 2005-06 BUDGET

SUMMARY OF REVENUES AND EXPENDITURES

Section Title: OCCIDENTAL CSD - OPERATIONS

Section/Index No: 651109

Sub-Object No. and Title	Adopted 2004-05	Requested 2005-06	Difference	Percent Change
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REVENUES:

TAXES

1001 Flat Charges - CY	\$239,803	\$237,960	(\$1,843)	(0.77%)
1061 Flat Charges - PY	500	500	0	0.00%
1120 Penalties / Costs on Taxes	100	100	0	0.00%

Subtotal Taxes	\$240,403	\$238,560	(\$1,843)	(0.77%)
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USE OF MONEY

1700 Interest on Pooled Cash	\$150	\$25	(\$125)	(83.33%)
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Subtotal Use of Money	\$150	\$25	(\$125)	(83.33%)
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CHARGES FOR SERVICES

3400 Sanitation Services	\$18,544	\$30,247	\$11,703	63.11%
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Subtotal Charges for Services	\$18,544	\$30,247	\$11,703	63.11%
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Residual Equity Transfer

4880 Ret-Between Entities-BOS	\$0	\$0	\$0	N/A
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Subtotal Residual Equity Transfer	\$0	\$0	\$0	N/A
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TOTAL REVENUES	\$259,097	\$268,832	\$9,735	3.76%
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EXPENDITURES:

SERVICES AND SUPPLIES

6040 Communications	\$1,000	\$1,000	\$0	0.00%
6180 Maintenance - Bldgs / Impr	15,000	15,000	0	0.00%
6262 Lab Supplies	500	500	0	0.00%
6522 District Services	160,000	170,000	10,000	6.25%
6573 Administration Costs	2,000	2,000	0	0.00%
6610 Legal Services	10,000	10,000	0	0.00%
6630 Audit / Accounting Services	2,100	3,355	1,255	59.76%
7212 Chemicals	30,000	30,000	0	0.00%
7217 State Permits / Fees	8,000	8,000	0	0.00%
7320 Utilities	25,000	25,000	0	0.00%

Subtotal Services and Supplies	\$253,600	\$264,855	\$11,255	4.44%
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Sub-Object No. and Title	Adopted 2004-05	Requested 2005-06	Difference	Percent Change
<u>OTHER CHARGES</u>				
7920 Interest	\$0	\$0	\$0	N/A
7930 Interest - LT Debt	324	0	(324)	(100.00%)
7980 Depreciation	35,000	35,000	0	0.00%
<i>Subtotal Other Charges</i>	\$35,324	\$35,000	(\$324)	(0.92%)
<u>FIXED ASSETS</u>				
8510 Buildings / Improvements	\$0	\$0	\$0	N/A
<i>Subtotal Fixed Assets</i>	\$0	\$0	\$0	N/A
<u>OTHER FINANCING USES</u>				
8625 OT - W/in Special Dist - BOS	\$0	\$0	\$0	N/A
<i>Subtotal Other Financing Uses</i>	\$0	\$0	\$0	N/A
<u>APPROPRIATIONS FOR CONT</u>				
9000 Approp for Contingencies	\$2,000	\$2,000	\$0	0.00%
<i>Subtotal Approp for Contingencies</i>	\$2,000	\$2,000	\$0	0.00%
<u>ADMINISTRATIVE CONTROL ACCOUNT</u>				
9200 Ent - Principal	\$4,623	\$250,000	\$245,377	5307.74%
9209 Ent - Principal Clearing	(4,623)	(250,000)	(245,377)	5307.74%
<i>Subtotal Administrative Control</i>	\$0	\$0	\$0	N/A
TOTAL EXPENDITURES	\$290,924	\$301,855	\$10,931	3.76%
TOTAL NET COST <i>(Expenditures Minus Revenues)</i>	\$31,827	\$33,023	\$1,196	3.76%

FY 2005-06 BUDGET
CHARACTER JUSTIFICATION

Department - Division: Sonoma County Water Agency - Sanitation

Section Title: Occidental CSD - Operations

Character Title: Taxes

Character No.: 651109-10

1001 Flat Charges - CY

Flat charge revenue from annual service charges is expected to increase from the adopted FY 04-05 budget. The rate will increase 6.9% from \$976 to \$1043.

ESDs times annual rate:	234 x \$1,043	\$244,062
Less Estimated Delinquency Factor:	2.5%	(6,102)
		<hr/>
		\$237,960

(See SubObject 3400 for Total ESDs)

1061 Flat Charges - PY

This item records the estimated delinquent amount of prior years sewer service charges.

1120 Penalties / Costs on Taxes

This item records penalties paid on delinquent sewer service charges.

Character Title: Use of Money

Character No.: 651109-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the District by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Character Title: Charges for Services

Character No.: 651109-30

3400 Sanitation Services

This account records annual sewer service charges for entities that are invoiced, rather than collected as flat charges on the tax roll, and for new hook-ups as they occur during the year. The Sanitation Rate Ordinance requires that charges be collected at the time permits are issued. The properties are then added to the tax roll master listing and collected through sub-object 1001, Flat Charges, in the following year.

Based on projected FY 05-06 ESDs, the District will experience an increase in revenue from invoiced entities. The budgeted revenue reflects an increase in the annual sewer service charge from \$976 to \$1043.

ESDs x Annual Charge 29 x \$1,043 = \$30,247

6040 Communications

This account records expenses paid by the District for outside communication and wireless services.

6180 Maintenance - Bldgs / Impr

This account records the cost of parts and materials required to maintain the treatment plant and collection system. The District is budgeting only a nominal amount in FY 05-06 due to a lack of funds to finance any new maintenance projects beyond essential repairs.

6262 Laboratory Supplies

This account records the cost of lab supplies required for testing and monitoring wastewater.

6522 District Services

This account records the cost of labor and overhead associated with operation and maintenance of the District's facilities and equipment, as well as other related service and supply type items. The increase in the requested budget more accurately reflects expenses in this account.

6573 Administration Costs

This account represents the 1% administration fee assessed by the County for processing collection of flat charges on the tax roll.

6610 Legal Services

This item is requested to provide funds for the estimated cost of legal services to be provided by County Counsel, or outside legal services, as required. Due to the uncertainty of continuing ACL related issues, the amount required in this account is extremely difficult to predict.

6630 Audit / Accounting Services

This item records the direct allocation of Auditor-Controller Fiscal Services staff costs for time expected to be spent on District accounting.

7212 Chemicals

This account records the cost of chemicals required for operation of the treatment plant. The requested amount is considered necessary to meet the discharge requirements of the District's NPDES permit, as required by the State Water Quality Control Board, as well as to meet requirements imposed by the ACL (including the use of sodium bisulfite and caustic soda).

7217 State Permits / Fees

This account records the cost of District permits related to NPDES, as mandated by the Regional Water Quality Control Board.

7320 Utilities

This account records the cost of utilities, such as gas, electricity, and water.

Character Title: Other Charges **Character No.:** 651109-75

7930 Interest - LT Debt

The loan with South Park CSD was paid off in FY 04-05 no interest is due.

7980 Depreciation

Generally Accepted Accounting Principles require that depreciation be expensed each year.

Character Title: Fixed Assets **Character No.:** 651109-85

8510 Buildings / Improvements

No expenditures are planned in this account for the forthcoming year due to lack of funds.

Character Title: Other Financing Uses **Character No.:** 651109-86

8625 OT - W/in Special Dist - BOS

This account reflects the transfer of cash from the Operations Fund to the Construction Fund to finance the Capital Replacement Program. Due to the lack of available cash within the Operations Fund, no transfer is planned for FY 05-06.

Character Title: Appropriations for Contingencies **Character No.:** 651109-90

9000 Appropriations for Contingencies

This account is normally used to set aside funding for unanticipated expenditures or revenue shortfalls.

Character Title: Administrative Control Account **Character No.:** 651109-92

9200 Ent - Principal

This account reflects the principle payments due on: 1) the outstanding loan from South Park, and 2) the loan obtained from the County General fund prior to the end of 97-98.

The outstanding loan from South Park was paid off in FY 04-05 and the payment due to the County General Fund will be paid off in FY 05-06.

9209 Ent - Principal Clearing

This is the clearing account for sub-object 9200, Ent - Principal.

FY 2005-06 BUDGET
STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation
Section: Occidental CSD - Operations
Index No.: 651109

DESCRIPTION OF FUND ACTIVITY	Actual FY 03-04	Estimated FY 04-05	Requested FY 05-06
Undesignated/Unreserved <u>BEGINNING</u> Retained Earnings Available for Budgeting (See Detailed Components Below)	\$42,024	\$55,061	\$40,627
Annual Revenues and Expenditures:			
Revenues - Increase retained earnings	383,919	259,862	268,832
Expenditures - (Decrease) retained earnings	(396,166)	(302,670)	(301,855)
Net Surplus or Deficit - Inc/(Dec) to retained earnings	(12,247)	(42,808)	(33,023)
Adjustments to Reserves/Encumbrances:			
7980 Depreciation	29,908	32,997	35,000
9200 Ent - Principal Payments	(5,306)	(4,623)	(250,000)
Auditor's Adjustment - Liabilities	682	-	-
Proceeds from SWRCB	-	-	250,000
Adjustment PY Payable	-	-	-
Adjustments - Contributed Capital	-	-	-
Change in Due from Other Governments	-	-	-
Net Adjustment - Increase/(Decrease) to Retained Earnings	25,284	28,374	35,000
Undesignated/Unreserved <u>ENDING</u> Retained Earnings Available for Budgeting	\$55,061	\$40,627	\$42,604
Total Increase/(Decrease) in Retained Earnings for Fiscal Year (Difference between Beginning and Ending Balance)	\$13,037	(\$14,434)	\$1,977
<u>Retained Earnings Components at Beginning of FY</u>	7/1/03	7/1/04	

FY 2005-06 BUDGET

SUMMARY OF REVENUES AND EXPENDITURES

Section Title: OCCIDENTAL CSD - BONDS #2

Section/Index No: 651224

Sub-Object No. and Title	Adopted 2004-05	Requested 2005-06	Difference	Percent Change
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REVENUES:

TAXES

1000 Prop Taxes - CY Secured	\$1,310	\$1,310	\$0	0.00%
1020 Prop Taxes - CY Supplemental	0	0	0	N/A
1040 Prop Taxes - CY Unsecured	0	0	0	N/A
1060 Prop Taxes - PY Secured	0	0	0	N/A

Subtotal Taxes	\$1,310	\$1,310	\$0	0.00%
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USE OF MONEY

1700 Interest on Pooled Cash	\$75	\$0	(\$75)	(100.00%)
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Subtotal Use of Money	\$75	\$0	(\$75)	(100.00%)
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TOTAL REVENUES	\$1,385	\$1,310	(\$75)	(5.42%)
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EXPENDITURES:

SERVICES AND SUPPLIES

6635 Fiscal Agent Fees	\$200	\$52	(\$148)	(74.00%)
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Subtotal Services and Supplies	\$200	\$52	(\$148)	(74.00%)
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OTHER CHARGES

7920 Interest	\$310	\$190	(\$120)	(38.71%)
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Subtotal Other Charges	\$310	\$190	(\$120)	(38.71%)
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ADMINISTRATIVE CONTROL ACCOUNT

9200 Ent - Principal	\$1,000	\$1,000	\$0	0.00%
9209 Ent - Principal Clearing	(1,000)	(1,000)	0	0.00%

Subtotal Administrative Control	\$0	\$0	\$0	N/A
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TOTAL EXPENDITURES	\$510	\$242	(\$268)	(52.55%)
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TOTAL NET COST	(\$875)	(\$1,068)	(\$193)	22.06%
<i>(Expenditures Minus Revenues)</i>				

FY 2005-06 BUDGET

CHARACTER JUSTIFICATION

Department - Division: Sonoma County Water Agency - Sanitation

Section Title: Occidental CSD - Bonds #2

Character Title: Taxes

Character No.: 651224-10

1000 Prop Taxes - CY Secured

The Auditor-Controller establishes a tax rate sufficient to accumulate tax revenues necessary to make bond payments of interest and principal. The bonds were passed to fund construction of sewage facilities.

1020 Prop Taxes - CY Supplemental

1040 Prop Taxes - CY Unsecured

1060 Prop Taxes - PY Secured

No amount is recommended since little to no revenue has been received in these accounts in recent years.

Note:

The FY 05-06 bond payment amount (principal and interest) is \$1,190. A total budget of \$52 is requested to cover Fiscal Agent Fees; therefore, total expenses are not expected to exceed \$1,242. To avoid major fluctuations in the tax rate from year to year, the tax amount budgeted and/or collected each year may not correspond exactly to the annual bond payment (P&I). Over or under collection in any single year (when compared to the bond payment for that year) merely increases or decreases the fund balance retained in this index. The Auditor's long term tax rate calculations are designed to ensure that debt service obligations are met, while retaining an appropriate level of fund balance, and minimizing unnecessary tax rate fluctuations.

Character Title: Use of Money

Character No.: 651224-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the District by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$0
Projected Interest Rate	<u>2.50%</u>
Projected/Planned Interest on Pooled Cash	\$0

Character Title: Services and Supplies

Character No.: 651224-60

6635 Fiscal Agent Fees

This account records fees collected by the County Treasurer for acting as the fiscal agent.

Character Title:

Other Charges

Character No.: 651224-75

7920 Interest

This account reflects the interest expense on the outstanding general obligation bonds. The interest rate was established at 5% on \$4,000 of the bonds and 4¾% on \$28,000 of the bonds. Payments began January 1, 1970 and will continue semi-annually until January 1, 2009. The FY 05-06 request is based on the bond amortization schedule prepared at the time the bonds were sold.

Character Title:

Administrative Control

Character No.: 651224-92

9200 Ent - Principal

This account reflects the principal expense for general obligation bonds that were issued in 1969 to finance the local share of a wastewater collection system. Payments on the bonds will continue until January 1, 2009. The FY 05-06 request is based on the bond amortization schedule prepared at the time the bonds were sold.

The following reflects the bond principal payment history to date:

Original Amount of the General Obligation Bond Issue:	\$32,000
Total FY 77-78 through FY 03-04 Principal Payments:	(27,000)
FY 04-05 Principal Payment:	<u>(1,000)</u>
Outstanding Bond Amount	\$4,000

9209 Ent - Principal Clearing

This is the clearing account for sub-object 9200, Ent - Principal.

FY 2005-06 BUDGET

STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation

Section: Occidental CSD - Bonds #2

Index No.: 651224

DESCRIPTION OF FUND ACTIVITY	Actual FY 03-04	Estimated FY 04-05	Requested FY 05-06
Undesignated/Unreserved <u>BEGINNING</u> Retained Earnings			
Available for Budgeting (See Detailed Components Below)	\$4,591	\$3,659	\$3,429
Annual Revenues and Expenditures:			
Revenues - Increase retained earnings	379	1,398	1,310
Expenditures - (Decrease) retained earnings	(311)	(628)	(242)
Net Surplus or Deficit - Increase/(Decrease) to fund balance	<u>68</u>	<u>770</u>	<u>1,068</u>
Adjustments to Reserves/Encumbrances:			
9200 Enterprise Principal	(1,000)	(1,000)	(1,000)
Net Adjustment - Increase/(Decrease) to Retained Earnings	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>
Undesignated/Unreserved <u>ENDING</u> Retained Earnings			
Available for Budgeting	\$3,659	\$3,429	\$3,497
Total Increase/(Decrease) in Retained Earnings for Fiscal Year (Difference between Beginning and Ending Balance)	(\$932)	(\$230)	\$68

<u>Retained Earnings Components at Beginning of FY</u>	7/1/03	7/1/04
Cash	\$5,591	\$4,659
Matured Principal Payable	(1,000)	(1,000)
Total Beginning Retained Earnings	\$4,591	\$3,659

FY 2005-06 BUDGET

SUMMARY OF REVENUES AND EXPENDITURES

Section Title: OCCIDENTAL CSD - CONSTRUCTION

Section/Index No: 651505

Sub-Object No. and Title	Adopted 2004-05	Requested 2005-06	Difference	Percent Change
REVENUES:				
<u>USE OF MONEY</u>				
1700 Interest on Pooled Cash	\$750	\$1,000	\$250	33.33%
Subtotal Use of Money	\$750	\$1,000	\$250	33.33%
<u>MISCELLANEOUS REVENUE</u>				
4304 Federal Grants	\$5,213,250	\$0	(\$5,213,250)	(100.00%)
Subtotal Miscellaneous Revenue	\$5,213,250	\$0	(\$5,213,250)	(100.00%)
<u>ADMINISTRATIVE CONTROL ACCOUNT</u>				
4200 ENT - LTD Proceeds	\$1,737,750	\$4,000,000	\$2,262,250	130.18%
4209 ENT - LTD Proceeds - Clearing	(1,737,750)	(4,000,000)	(2,262,250)	130.18%
4210 Advances	0	0	0	N/A
4219 Advances - Clearing	0	0	0	N/A
4220 Contributed Capital	0	0	0	N/A
4229 Contributed Cap - Clearing	0	0	0	N/A
Subtotal Admin. Control Account	\$0	\$0	\$0	N/A
<u>OTHER FINANCING SOURCES</u>				
4625 OT - W/in Special Dist - BOS	\$0	\$0	\$0	N/A
Subtotal Other Financing Sources	\$0	\$0	\$0	N/A
TOTAL REVENUES	\$5,214,000	\$1,000	(\$5,213,000)	(99.98%)
EXPENDITURES:				
<u>OTHER CHARGES</u>				
7920 Interest	\$0	\$0	\$0	N/A
Subtotal Other Charges	\$0	\$0	\$0	N/A
<u>FIXED ASSETS</u>				
8510 Building / Improvement	\$6,951,000	\$4,000,000	(\$2,951,000)	(42.45%)
9142 Capital Replacement Program	0	0	0	N/A
Subtotal Fixed Assets	\$6,951,000	\$4,000,000	(\$2,951,000)	(42.45%)
TOTAL EXPENDITURES	\$6,951,000	\$4,000,000	(\$2,951,000)	(42.45%)
TOTAL NET COST (Expenditures Minus Revenues)	\$1,737,000	\$3,999,000	\$2,262,000	130.22%

FY 2005-06 BUDGET
CHARACTER JUSTIFICATION

Department - Division: Sonoma County Water Agency - Sanitation

Section Title: Occidental CSD - Construction

Character Title: Use of Money

Character No.: 651505-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the District by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$40,000
Projected Interest Rate	<u>2.50%</u>
Projected/Planned Interest on Pooled Cash	\$1,000

Character Title: Miscellaneous Revenue

Character No.: 651505-40

4304 Federal Grants

For FY 05-06 no grants will be anticipated.

Character Title: Administrative Control Account

Character No.: 651505-42

4200 ENT-LTD Proceeds

This account will record the receipt of proceeds from a proposed \$4.0 million loan from USDA to finance treatment plant upgrades.

4209 ENT-LTD Proceeds - Clearing

This is the clearing account for sub-object 4200.

Character Title: Other Financing Sources

Character No.: 651505-46

4625 OT - W/in Special Dist - BOS

There will be no transfer of cash from the Operation Fund to the Construction Fund to finance the Capital Replacement Program for FY 05-06.

Character Title: Fixed Assets

Character No.: 651505-85

8510 Buildings / Improvements

This account is used for expenses associated with facility upgrades or expansion of the wastewater treatment or collection system. Recent expenses in this account were the result of preliminary engineering work and environmental studies required as a result of an Administrative Civil Liability issued by the North Coast Regional Water Quality Control Board. The budget requested for FY 05-06 represents the estimated cost of upgrading the treatment plant to AWT standards. The planned FY 05-06 activity will be funded through anticipated loan from USDA.

9142 Capital Replacement Program

This account normally reflects expenses associated with replacement of treatment facilities and the sewer collection system. Long-term replacement of existing facilities that are worn out and in disrepair helps to bring the facilities up to current sanitation standards and extends the life of the sanitation infrastructure; however, due to funding shortfalls, no capital replacement projects are planned for the forthcoming year.

FY 2005-06 BUDGET

STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation

Section: Occidental CSD - Construction

Index No.: 651505

DESCRIPTION OF FUND ACTIVITY	Actual FY 03-04	Estimated FY 04-05	Requested FY 05-06
Undesignated/Unreserved <u>BEGINNING</u> Retained Earnings			
Available for Budgeting (See Detailed Components Below)	\$69,094	\$43,509	\$45,913
Annual Revenues and Expenditures:			
Revenues - Increase retained earnings	3,208	592,416	1,000
Expenditures - (Decrease) retained earnings	(27,840)	(590,012)	(4,000,000)
Net Surplus or Deficit - Inc/(Dec) to retained earnings	(24,632)	2,404	(3,999,000)
Adjustments to Reserves/Encumbrances:			
4210 Advances	-	-	-
4200 Long Term Debt Proceeds	-	-	4,000,000
Capitalized Interest	(956)	-	-
Net Change in Encumbrances	3	-	-
PY Encumbrance	-	-	-
Net Adjustment - Increase/(Decrease) to Retained Earnings	(953)	-	4,000,000
Undesignated/Unreserved <u>ENDING</u> Retained Earnings			
Available for Budgeting	\$43,509	\$45,913	\$46,913
Total Increase/(Decrease) in Retained Earnings for Fiscal Year <i>(Difference between Beginning and Ending Balance)</i>	(\$25,585)	\$2,404	\$1,000
 <u>Retained Earnings Components at Beginning of FY</u>	 7/1/03	 7/1/04	
Cash	\$69,097	\$43,509	
Vouchers Payable	-	-	
Encumbrances	(3)	-	
Total Beginning Retained Earnings	\$69,094	\$43,509	